

Minimum wages and Wisconsin

There are approximately 2,790,000 wage and salary jobs in Wisconsin. The average hourly wage or the mean is \$15.46. The median wage, however, is \$12.77 per hour, meaning that 50 percent of Wisconsin workers earn less than \$12.77 per hour. Ten percent of all of Wisconsin's workers, 280,000 workers, earn less than \$7.04 per hour. It's estimated that about one-half of that number, 140,000 workers earn less than \$6.20 per hour. About 39,000 of Wisconsin's workers earn \$5.15 or less per hour.

The ten-percentile break point for workers in the State differs by metro area. It is:

Appleton	\$7.10
Eau Claire	\$6.77
Green Bay	\$7.30
Janesville/Beloit	\$6.79
Kenosha	\$7.02
La Crosse	\$6.64
Madison	\$7.62
Milwaukee	\$7.33
Racine	\$6.82
Sheboygan	\$7.37
Wausau	\$7.00

Of the total workers who are paid less than \$6.20 per hour, about one-third work in food preparation jobs. This category of workers includes fast food cooks, food preparation workers, counter attendants and cafeteria workers, and dishwashers. Best estimates would suggest there might be 50,000 to 55,000 workers earning very low wages – less than \$6.20 per hour - in this category.

A second large occupational category of low-wage workers is sales and related occupations and these are generally but not all sales workers in the retail trade sector. They might be service station attendants, convenience store and grocery store clerks, stock clerks. There are an estimated 30,000 workers earning less than \$6.20 per hour in this category. Also included are telemarketers, merchandise demonstrators, counter and rental clerks, gaming change and booth cashiers.

A third occupational category with a large number of very low-wage workers is personal care and service workers. This category includes attendants of various kinds – gaming attendants, ushers and lobby attendants, transportation, tourism and lodging attendants. It also includes many child care workers. Some 8,500 Wisconsin workers in this category would be earning very low wages, i.e. less than \$6.20 per hour.

A fourth category where there are a fairly large number of low-wage workers is an occupational category where in general, wages are quite high. It is production workers. The average wage for production workers is \$14.09 per hour, and the 10 percent break comes at a quite high \$8.23 per hour. Nevertheless, there are some 239 thousand production workers in the state and perhaps as many as five percent are low-wage workers. This means there are likely as many as 11,000 low-wage production workers. The jobs these low-wage workers are found in are laundry and dry-cleaning occupations, sewing and knitting occupations, bakery, bread, and pastry preparation occupations.

A fifth category with a large number of low-wage workers is office and administrative support workers. The percentage of workers being paid very low wages in this category is small, but the category is very large and the small percent of workers in this field adds up to as many as 18,000 low-wage workers.

There are a fairly large number of workers in transportation and material moving occupations who are paid low-wages. Again the percentage is small, but the large number of workers in this category results in a fairly large number. An estimated 10,000 workers are paid very low wages in this classification. An example of a job in this classification where workers often earn very low wages is ambulance drivers and helpers, except emergency medical technicians.

Another grouping with a large number of low-wage workers is in the building and grounds cleaning and maintenance occupations. Most of these low-wage workers are housekeeping workers in hotels and other lodging facilities. This category likely has some 8,000 very low-wage workers throughout the state.

The classification healthcare support occupations is another group where there are a substantial number of very low-wage workers. As many as 3,850 workers, in occupations such as veterinary assistant and animal caretaker and home health care aide.

There are a smaller number of workers in farming, fishing, and forestry occupations earning very low wages. Particularly low wages are found for graders and sorters of agricultural products, and nursery and greenhouse workers and laborers. Perhaps 400 workers in the state in these occupations earn very low wages. Often landscape workers employed at golf courses are paid something above minimum wage but still very low wages.

There are outliers in other occupations throughout the state earning very low wages. Bicycle repairers, packagers, vehicle cleaners, veterinary assistants, hotel, motel and resort desk clerks are some of the occupations where many workers are found earning very low wages.

Many of the state's low-wage jobs are in the retail trade industrial sector. But the jobs listed above are occupations, and they can be found in a number of different industries. For example, bakery, bread and pastry workers might be found in retail trade, or large food manufacturing firms. Laundry workers might be found in large manufacturing facilities, or health care service firms, or hotel, motels and other lodging facilities or in other service industries such as cleaning service providers. Often sales workers work as sales representatives and are paid a minimum wage with the lure of higher pay based on their sales performance. This could be in nearly any industry.

Low-wage workers are found in virtually every industrial sector, and in every geographic area in the state. About 80% of all low-wage workers are found in retail trade positions, especially in restaurants. And although we think of waiters and waitresses when we think of restaurants, it is not the waiters and waitresses that are most likely to be earning very low wages. Their wages include tips and most of us are grateful for the great service they provide and leave tips that reflect our satisfaction and natural generosity. It is the food preparation workers, fast food cooks, short order cooks and counter attendants who not only earn low wages, but also generally are not tipped. There are

also a large number of Wisconsin workers cleaning hotel rooms and performing other housekeeping duties who are earning very low wages. But once again there are people earning very low wages in nearly every industrial sector, including the government sector.

The Department of Labor published a report in April 2002 entitled "Value of the Federal Minimum Wage, 1938-2000". In it they reported that the current minimum wage, which became \$5.15 on September 1, 1997 had less buying power than the minimum wage had in 1970. The buying power of the minimum wage in 1970 equaled about \$8.00 per hour in 2000 dollars.

Although the majority of workers being paid very low wages are young people, i.e. 16 to 24 years old, nearly 47 percent of all low-wage workers are over 25 years old. Nearly two in every three workers 25 years old and older earning very low wages are females. And, many of these young women are not only trying to keep themselves alive, they're also often trying to care for a child or sometimes more than one child.

The incidence of very low wages is much more prevalent among minority workers than white non-minority workers, but the greatest numbers of very low-wage workers are white, non-minority.

Jared Bernstein and Chauna Brocht of the Economic Policy Institute, two highly respected nationally renowned economists, put together a substantial study on who directly benefits if the minimum wage were to be increased to \$6.15. The study, entitled, "**The Next Step: The New Minimum Wage Proposals and the Old Opposition**", found that 71 percent of the workers who would benefit were adults, 60 percent were female, and close to half work full time.

When discussing the increase in minimum wages many offer that a minimum wage increase decreases the number of jobs for those low-wage workers. There is little conclusive evidence that this occurs. It very simply usually has no effect at all. Often, the labor market, i.e. the number of jobs expands when minimum wages are increased, as many new potential workers are coaxed into the market with the increase in wages. For example, in Wisconsin, there were 2,655,800 jobs per month in 1997 when the minimum wage was last changed. That figure increased to 2,718,000 in 1998 and 2,784,000 in 1999. Advocates and opponents of minimum wages have been able to produce evidence supporting their side of the issue. This makes the evidence pretty inconclusive.

A higher minimum wage may increase payroll costs, but it is also likely to reduce employee turnover and absenteeism and improve worker productivity and morale, leading to lower recruitment and training costs and higher productivity and quality of service.

The real discussion is what does it do to workers and their families when wages are so low that they can't afford the most basic needs. The expenses that society and the general public, particularly taxpayers must provide related to poverty are so insidious that anything that helps divert those expenses back to the consumers of the services provided by those low-wage workers is worthwhile. Educational failure, workforce failure, citizenship failure can very often be traced back to families forced to live in

poverty. And unfortunately, most people who live in poverty are employed and go to work.

Economists have a word that they use to describe the costs associated with production that is not included in the firm's costs. For example if a company pollutes the air around them in making a product, they very often don't pay the costs of the air pollution. Homeowners and residents around the firm are forced to live with the air pollution. The costs are called externalities. Workers who earn less than costs associated with their lives are reliant upon society or benevolent sponsors to live their lives. These costs are externalities. An appropriate minimum wage is aimed at allocating the external costs to the employer who can then pass it on to the consumer.

Scarcely anyone disagrees with the notion of reallocating external costs to the firm or individuals such as consumers, benefiting from the reassigned external costs. Nevertheless there is much debate about an appropriate way of reallocating these costs. There is much discussion about the negative effects of a minimum wage.

There are three issues in the discussion of increasing minimum wages.

First, is the issue of cost:

Do the benefits to low-wage workers outweigh the cost to employers of having to pay the higher wages and to consumers of having to pay higher prices for products produced by low-wage workers?

For Wisconsin, it might add as much as 0.05 percent to our gross state product prices and costs.

Second is the issue of efficiency:

Does the minimum wage lead to less employment opportunities for low-wage workers as a result of higher labor costs faced by employers?

Third is the issue of effectiveness:

Does the minimum wage help low-income families or does it help teenagers and secondary earners in non-poor families?

Most studies of low income and poverty are beginning to suggest that poverty or living at substandard levels would be living at less than one/half of an area's median household income. The median for Wisconsin was \$43,791 in 2001. One half of that is \$21,895. Two people in a family earning our present minimum wage and working 36 hours per week, fifty weeks a year would earn \$18,570. A minimum wage of 7.05 would put such a family or household above one/half of the median.